



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
WOODFORD COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2001

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WOODFORD COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Auditor of Public Accounts has completed the Woodford County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

The accompanying Statement Of Assets, Liabilities, and Fund Balances Arising From Cash Transactions reflects a reserved fund balance of \$5,541,222 for the Capital Projects Fund Type and unreserved fund balances totaling \$2,868,892 for the other Fund Types. Funds to be provided in future years to retire bond issues and a capital lease agreement total \$11,107,229. The accompanying statement of cash receipts, cash disbursements, and changes in cash balances reflect a cash balance of \$8,550,106 as of June 30, 2001, a decrease of \$5,252,763 from the prior year. The decrease is mainly due to the \$4,327,172 decrease in the Capital Projects Fund Type balance, caused by the large capital expenditures for the building of the Community Center.

Report Comment:

The Versailles-Midway-Woodford County Board Of Ethics Should Review Related Party Transaction

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Joe D. Gormley, Woodford County Judge/Executive

Members of the Woodford County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Woodford County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Woodford County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Woodford County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Woodford County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Joe D. Gormley, Woodford County Judge/Executive
Members of the Woodford County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 22, 2002 on our consideration of Woodford County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Woodford County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Versailles-Midway-Woodford County Board Of Ethics Should Review Related Party Transaction

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 22, 2002

WOODFORD COUNTY OFFICIALS

Fiscal Year Ended June 30, 2001

Fiscal Court Members:

Joe D. Gormley	County Judge/Executive
Carol Rollins	Magistrate
Charles Webber	Magistrate
Richard Alcock	Magistrate
Buddy McDannold	Magistrate
Tommy Turner	Magistrate
Jim Staples	Magistrate
Bobby Gaffney	Magistrate
Dudley Gains, Jr.	Magistrate

Other Elected Officials:

Alan George	County Attorney
Gary Gilkison	Jailer
Corine Woolums	County Clerk
Trisha Kittinger	Circuit Court Clerk
John Coyle	Sheriff
Jim Owens Gains	Property Valuation Administrator
Steve Ward	Coroner

Appointed Personnel:

Merl Goldey	County Treasurer
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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

WOODFORD COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$ 2,612,918	
Road and Bridge Fund:		
Cash	12,116	
Jail Fund:		
Cash	5,161	
Local Government Economic Assistance Fund:		
Cash	4,279	
Revolving Account - Cash	<u>60,510</u>	\$ 2,694,984

Special Revenue Fund Type

State Grant Fund:

Cash	\$ 220,663	
Federal Grant Fund:		
Cash	<u>13,755</u>	234,418

Capital Project Fund Type

Public Properties Corporation Community Center Bond Fund:

Construction Account - Cash		5,541,222
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Debt Service Fund Type

Public Properties Corporation Courthouse Bond Fund:

Cash	\$ 34,221	
Public Properties Corporation Courthouse Annex Bond Fund:		
Sinking Fund Account - Cash	104,026	
Public Properties Corporation Community Center Bond Fund:		
Sinking Fund Account - Cash	<u>1,745</u>	<u>139,992</u>

Total Assets		\$ 8,610,616
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The accompanying notes are an integral part of the financial statements.

WOODFORD COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Total Assets and Other Resources (Continued)

Other Resources

General Fund Type

General Fund:

Amounts to be Provided in Future Years for Kentucky		
Association of Counties Leasing Trust Agreement Principal Payments	\$	328,000

Debt Service Fund Type

Public Properties Corporation Courthouse Bond Fund:

Amounts to be Provided in Future Years for Bond Principal Payments	\$	250,000
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Public Properties Corporation Jail Bond Fund - 1993 Series:

Amounts to be Provided in Future Years for Bond Principal Payments	2,270,000
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Public Properties Corporation Courthouse Annex Bond Fund:

Amounts to be Provided in Future Years for Bond Principal Payments	
From Administrative Office of the Courts and Fiscal Court	3,415,974

Public Properties Corporation Community Center Bond Fund:

Amounts to be Provided in Future Years for Bond Principal Payments	<u>4,843,255</u>	<u>10,779,229</u>
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Total Assets and Other Resources		<u><u>\$ 19,717,845</u></u>
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Liabilities and Fund Balances

Liabilities

General Fund Types

General Fund - Kentucky Association of Counties

Leasing Trust Agreement Principal Payments (Note 5)	\$	328,000	
Revolving Account		<u>60,510</u>	\$ 388,510

Debt Service Fund Types

Public Properties Corporation Courthouse Bond Fund:

Bond Principal Not Matured (Note 4A)	\$	250,000
Bond Principal and Interest Matured and Unpresented		34,221

The accompanying notes are an integral part of the financial statements.

WOODFORD COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Liabilities and Fund Balances (Continued)

Liabilities (Continued)

Debt Service Fund Types (Continued)

Public Properties Corporation Jail Bond Fund - 1993 Series		
Bond Principal Not Matured (Note 4B)	\$ 2,270,000	
Public Properties Corporation Courthouse Annex Bond Fund:		
Bond Principal Not Matured (Note 4C)	3,520,000	
Public Properties Corporation Community Center Bond Fund:		
Bond Principal Not Matured (Note 4D)	<u>4,845,000</u>	\$ 10,919,221

Fund Balances

Reserved:

Capital Projects Fund Type

Public Properties Corporation Community Center Bond Fund - Construction Account		5,541,222
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Unreserved:

General Fund Type

General Fund	\$ 2,612,918	
Road and Bridge Fund	12,116	
Jail Fund	5,161	
Local Government Economic Assistance Fund	<u>4,279</u>	2,634,474

Special Revenue Fund Type

State Grant Fund	\$ 220,663	
Federal Grant Fund	<u>13,755</u>	<u>234,418</u>

Total Liabilities and Fund Balances		<u>\$ 19,717,845</u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

WOODFORD COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2001

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 12,164,981	\$ 7,964,914	\$ 948,351	\$ 670,135
Transfers In	2,004,558		1,000,000	250,000
Total Cash Receipts	<u>\$ 14,169,539</u>	<u>\$ 7,964,914</u>	<u>\$ 1,948,351</u>	<u>\$ 920,135</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 10,117,360	\$ 6,969,056	\$ 1,952,642	\$ 1,014,372
Public Properties Corporation				
Community Center Bond Fund-				
Construction Expenditures	5,832,578			
Transfers Out	2,004,558	2,004,558		
Bonds:				
Principal Paid	840,000			
Interest Paid	616,806			
Kentucky Association of Counties				
Leasing Trust - Principal Payment	11,000	11,000		
Total Cash Disbursements	<u>\$ 19,422,302</u>	<u>\$ 8,984,614</u>	<u>\$ 1,952,642</u>	<u>\$ 1,014,372</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (5,252,763)	\$ (1,019,700)	\$ (4,291)	\$ (94,237)
Cash Balance - July 1, 2000	13,802,729	3,632,478	16,407	99,398
Voided Prior Year Outstanding Checks	140	140		
Cash Balance - June 30, 2001	<u>\$ 8,550,106</u>	<u>\$ 2,612,918</u>	<u>\$ 12,116</u>	<u>\$ 5,161</u>

The accompanying notes are an integral part of the financial statements.

WOODFORD COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2001
 (Continued)

General Fund Types	Special Revenue Fund Type		Capital Projects Fund Types	Debt Service Fund Types
Local Government Economic Assistance Fund	State Grant Fund	Federal Grant Fund	Public Properties Corporation Community Center Construction Account	Public Properties Corporation Courthouse Bond Fund
\$ 17,401	\$ 279,742	\$ 92,264	\$ 1,505,406	\$ 71,470
\$ 17,401	\$ 279,742	\$ 92,264	\$ 1,505,406	\$ 71,470
\$ 16,099	\$ 65,019	\$ 100,172	\$ 5,832,578	\$ 55,000 14,985
\$ 16,099	\$ 65,019	\$ 100,172	\$ 5,832,578	\$ 69,985
\$ 1,302 2,977	\$ 214,723 5,940	\$ (7,908) 21,663	\$ (4,327,172) 9,868,394	\$ 1,485 32,736
\$ 4,279	\$ 220,663	\$ 13,755	\$ 5,541,222	\$ 34,221

The accompanying notes are an integral part of the financial statements.

WOODFORD COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2001
 (Continued)

	Debt Service Fund Types		
	Public Properties Corporation Jail Bond Fund- 1993 Series	Public Properties Corporation	
		Courthouse Annex	Community Center
		Annex Bond Fund Sinking Fund Account	Bond Fund Sinking Fund Account
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$	\$ 227,118	\$ 459,650
Transfers In	204,268	19,436	459,384
Total Cash Receipts	\$ 204,268	\$ 246,554	\$ 919,034
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$	\$	\$
Public Properties Corporation Community Center Bond Fund- Construction Expenditures			
Transfers Out			
Bonds:			
Principal Paid	80,000	60,000	645,000
Interest Paid	124,268	180,696	296,857
Kentucky Association of Counties Leasing Trust - Principal Payment			
Total Cash Disbursements	\$ 204,268	\$ 240,696	\$ 941,857
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$	\$ 5,858	\$ (22,823)
Cash Balance - July 1, 2000		98,168	24,568
Voided Prior Year Outstanding Checks			
Cash Balance - June 30, 2001	\$ 0	\$ 104,026	\$ 1,745

The accompanying notes are an integral part of the financial statements.

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Woodford County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Public Properties Corporation Courthouse Bond Fund, Public Properties Corporation Jail Bond Fund, Public Properties Corporation Courthouse Annex Bond Fund, and the Public Properties Corporation Community Center Bond Fund as part of the reporting entity.

The Public Properties Corporation Courthouse Bond Fund, Public Properties Corporation Jail Bond Fund, Public Properties Corporation Courthouse Annex Bond Fund, and Public Properties Corporation Community Center Bond Fund cannot be sued in their own name without recourse to the Woodford County Fiscal Court, which appoints a voting majority, consisting of the fiscal court members. The fiscal court is able to impose its will on the Corporation. The Corporation is created solely for the benefit of the fiscal court per KRS 58.180 to act as the agent in the acquisition and financing of any public project. The fiscal court has access to the Corporation's resources, is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the fiscal court. These component units are blended within the financial statements of the county.

Additional - Woodford County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Woodford County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Woodford County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Woodford County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and the Local Government Economic Assistance Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The State Grant Fund and the Federal Grant Fund of the Fiscal Court are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Properties Corporation Courthouse Bond Fund, Public Properties Corporation Jail Bond Fund, Public Properties Corporation Courthouse Annex Bond Fund Sinking Fund Account and the Public Properties Corporation Community Center Bond Fund Sinking Fund Account. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Public Properties Corporation Community Center Construction Fund of the Fiscal Court is reported as a Capital Projects Fund Type.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

WOODFORD COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2001
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget

The Woodford County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Capital Projects Fund Type and Debt Service Fund Type. These funds are the Public Properties Corporation Courthouse Bond Fund, Public Properties Corporation Jail Bond Fund, Public Properties Corporation Courthouse Annex Bond Fund, and the Public Properties Corporation Community Center Bond Fund because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Woodford County Fiscal Court:

Woodford County Hospital District	South Woodford County Water District
Northeast Woodford County Water District	Woodford County Library District
Woodford County Tourism Commission	Woodford County Conservation District
Woodford County Health District	

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture

Versailles-Woodford County Parks and Recreation Department
Versailles-Woodford County Economic Development Authority
Versailles, Midway, and Woodford County Planning and Zoning Commission

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2001, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 4. Long-Term Debt

A. Bonds outstanding of the Woodford County Public Properties Corporation Courthouse Bond Fund are:

\$250,000 of 5.35% and 5.40% nonvoted general obligation courthouse bonds, series 1968, dated July 1, 1968; interest payable semiannually on January 1 and July 1.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
7/1/01	\$ 13,500	\$ 60,000
7/1/02	10,260	60,000
7/1/03	7,020	65,000
7/1/04	<u>3,510</u>	<u>65,000</u>
Totals	<u>\$ 34,290</u>	<u>\$ 250,000</u>

B. Bonds outstanding of the Woodford County Public Properties Corporation Jail Bond Fund are:

\$2,270,000 of nonvoted public project refunding revenue bonds, 1993 Series A, dated July 1, 1993; interest payable semiannually on May 1 and November 1.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001-2002	\$ 120,615	\$ 85,000
2002-2003	116,705	85,000
2003-2004	112,525	90,000
2004-2005	107,968	95,000
2005-2006	102,915	105,000
2006-2017	<u>676,888</u>	<u>1,810,000</u>
Totals	<u>\$ 1,237,616</u>	<u>\$ 2,270,000</u>

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 4. Long-Term Debt (Continued)

C. Bonds outstanding of the Woodford County Public Properties Corporation Courthouse Annex Bond Fund are:

\$3,520,000 in lease revenue bonds, Series 1997, dated November 1, 1997 to be used in the financing and construction of a courthouse annex. The following schedule sets forth Woodford County's annual debt service of the bonds after deducting capitalized interest and Administrative Office of the Courts (AOC) rental payments.

<u>Fiscal Year Ending June 30</u>	<u>Interest Rate</u>	<u>Scheduled Principal</u>
2002	4.15%	\$ 60,000
2003	4.25%	65,000
2004	4.35%	65,000
2005	4.45%	70,000
2006	4.90%	75,000
2007-2029	4.90-5.2%	<u>3,185,000</u>
Total		<u>\$ 3,520,000</u>

- In accordance with a sublease agreement between Administrative Office of the Courts (AOC) and the Woodford County Fiscal Court, AOC committed itself to participate in providing part of the costs of constructing a courthouse annex through use allowance payments.

D. Bonds outstanding of the Woodford County Public Properties Corporation Community Center Bond Fund are:

\$4,845,000 of 5.375% and 5.45% nonvoted general obligation courthouse bonds, series 2000, dated February 15, 2000; interest payable semiannually on August 1 and February 1.

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest and Fees</u>	<u>Scheduled Principal</u>
2002	\$ 262,189	\$ 150,000
2003	254,126	160,000
2004	245,526	170,000
2005	236,389	180,000
2006	226,714	190,000
2007-2020	<u>1,812,691</u>	<u>3,995,000</u>
Totals	<u>\$ 3,037,635</u>	<u>\$ 4,845,000</u>

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 5. Capital Lease Agreement

On December 8, 1994, the County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the construction of a Conservation District Building, with the repayment to be made over a twenty-five year period. Principal payments are due annually on January 20, in variable amounts; interest plus associated fees is due monthly in variable amounts. The balance as of June 30, 2001 is \$328,000.

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest and Fees</u>	<u>Scheduled Principal</u>
2002	\$ 22,553	\$ 11,000
2003	21,757	12,000
2004	20,920	12,000
2005	20,054	13,000
2006	19,118	14,000
2007-2019	<u>136,059</u>	<u>266,000</u>
Totals	<u>\$ 240,461</u>	<u>\$ 328,000</u>

Note 6. Related Party Transactions

Magistrate Bobby Gaffney's wife, Shelley Gaffney, is a partner in Traid Insurance Agency, in Lexington, Kentucky. During the fiscal year ending June 30, 2001, she was the county's insurance agent of record. The fiscal court's business activities conducted with Shelly Gaffney should be presented to the local ethics board, of Woodford County for review.

Note 7. Commitments and Contingencies

The Economic Development Authority has a loan of \$5,000,000 dated December 11, 2001, of which only \$2,200,000 has been drawn through January 24, 2002. The loan is secured by Woodford County, City of Midway, and real estate. The fiscal court agreed to pay half the interest on the loan and expects to be reimbursed when the industrial park is sold.

Note 8. Insurance

For the fiscal year ended June 30, 2001, Woodford County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 9. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

During the fiscal year ending June 30, 2001, the Woodford County Jail Canteen Fund received \$27,478 and expended \$28,654. The ending balance of the Woodford County Jail Canteen Fund as of June 30, 2001, was \$5,621. All expenditures appeared to be acceptable.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

WOODFORD COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 5,104,540	\$ 7,964,914	\$ 2,860,374
Road and Bridge Fund	2,170,914	948,351	(1,222,563)
Jail Fund	1,219,150	670,135	(549,015)
Local Government Economic Assistance Fund	18,000	17,401	(599)
<u>Special Revenue Fund Type</u>			
State Grant Fund	1,439,742	279,742	(1,160,000)
Federal Grant Fund	<u>601,973</u>	<u>92,264</u>	<u>(509,709)</u>
Totals	<u>\$ 10,554,319</u>	<u>\$ 9,972,807</u>	<u>\$ (581,512)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 10,554,319
Add: Budgeted Prior Year Surplus			3,500,000
Less: Other Financing Uses			<u>(765,558)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 13,288,761</u>

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SCHEDULE OF OPERATING REVENUE

WOODFORD COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2001

Revenue Categories	GOVERNMENTAL FUND TYPES				
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Capital Projects Fund Type	Debt Service Fund Type
Taxes	\$ 6,195,600	\$ 6,195,600	\$	\$	\$
Excess Fees	5,369	5,369			
Licenses and Permits	28,076	28,076			
Intergovernmental Revenues	4,435,387	2,382,737	372,006	1,000,000	680,644
Charges for Services	580,370	580,370			
Miscellaneous Revenues	207,907	207,838		69	
Interest Earned	712,272	200,811		505,337	6,124
Total Operating Revenue	<u>\$ 12,164,981</u>	<u>\$ 9,600,801</u>	<u>\$ 372,006</u>	<u>\$ 1,505,406</u>	<u>\$ 686,768</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

WOODFORD COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,648,150	\$ 1,479,142	\$ 169,008
Protection to Persons and Property	3,182,652	2,814,433	368,219
General Health and Sanitation	1,315,236	1,280,610	34,626
Social Services	213,785	178,218	35,567
Recreation and Culture	949,707	934,978	14,729
Roads	2,071,414	1,863,832	207,582
Bus Services	42,870	31,630	11,240
Debt Service	106,612	19,976	86,636
Capital Projects	102,500		102,500
Administration	1,614,120	1,349,350	264,770
Total Operating Budget - All General Fund Types	\$ 11,247,046	\$ 9,952,169	\$ 1,294,877
Other Financing Uses:			
Transfers to Public Properties			
Corporation Community Center			
Bond Fund	459,384	459,384	
Transfers to Public Properties			
Courthouse Annex Bond Fund	19,436	19,436	
Transfers to Public Properties			
Corporation Courthouse Bond Fund	71,470	71,470	
Transfers to Public Properties			
Corporation Jail Bond Fund	204,268	204,268	
Lease Agreement-			
Conservation District Building-			
Principal on Lease	11,000	11,000	
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 12,012,604</u>	<u>\$ 10,717,727</u>	<u>\$ 1,294,877</u>

WOODFORD COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2001
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 29,742	\$ 26,772	\$ 2,970
Protection to Persons and Property	1,099,472	45,114	1,054,358
General Health and Sanitation	92,673	46,014	46,659
Recreation and Culture	410,000	38,247	371,753
Capital Projects	400,000		400,000
Administration	9,828	9,044	784
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	\$ 2,041,715	\$ 165,191	\$ 1,876,524
TOTAL OPERATING BUDGET - ALL FUND TYPES	\$ 13,288,761	\$ 10,117,360	\$ 3,171,401
Other Financing Uses:			
Transfers to Public Properties			
Corporation Community Center			
Bond Fund	459,384	459,384	
Transfers to Public Properties			
Courthouse Annex Bond Fund	19,436	19,436	
Transfers to Public Properties			
Corporation Courthouse Bond Fund	71,470	71,470	
Transfers to Public Properties			
Corporation Jail Bond Fund	204,268	204,268	
Lease Agreement-			
Conservation District Building-			
Principal on Lease	11,000	11,000	
TOTAL BUDGET - ALL FUND TYPES	\$ 14,054,319	\$ 10,882,918	\$ 3,171,401

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Joe D. Gormley, Woodford County Judge/Executive

Members of the Woodford County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Woodford County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated May 22, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Woodford County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Woodford County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 22, 2002

COMMENT AND RECOMMENDATION

WOODFORD COUNTY
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 2001

REPORTABLE CONDITIONS

The Versailles-Midway-Woodford County Board Of Ethics Should Review Related Party Transaction

Magistrate Bobby Gaffney's wife, Shelley Gaffney, is a partner in Traid Insurance Agency, in Lexington, Kentucky. During the fiscal year ending June 30, 2001, she was the county's insurance agent of record. The fiscal court's business activities conducted with Shelly Gaffney should be presented to the local ethics board, of Woodford County for review.

County Judge/Executive Joe D. Gormley's Response:

Fiscal Court will review for compliance.

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CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

WOODFORD COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

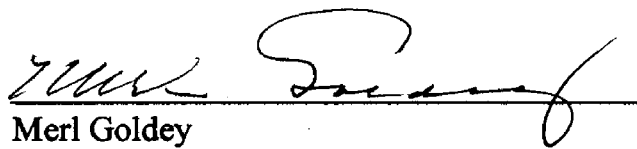
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
WOODFORD COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Woodford County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Joe D. Gormley
County Judge/Executive



Merl Goldey
County Treasurer